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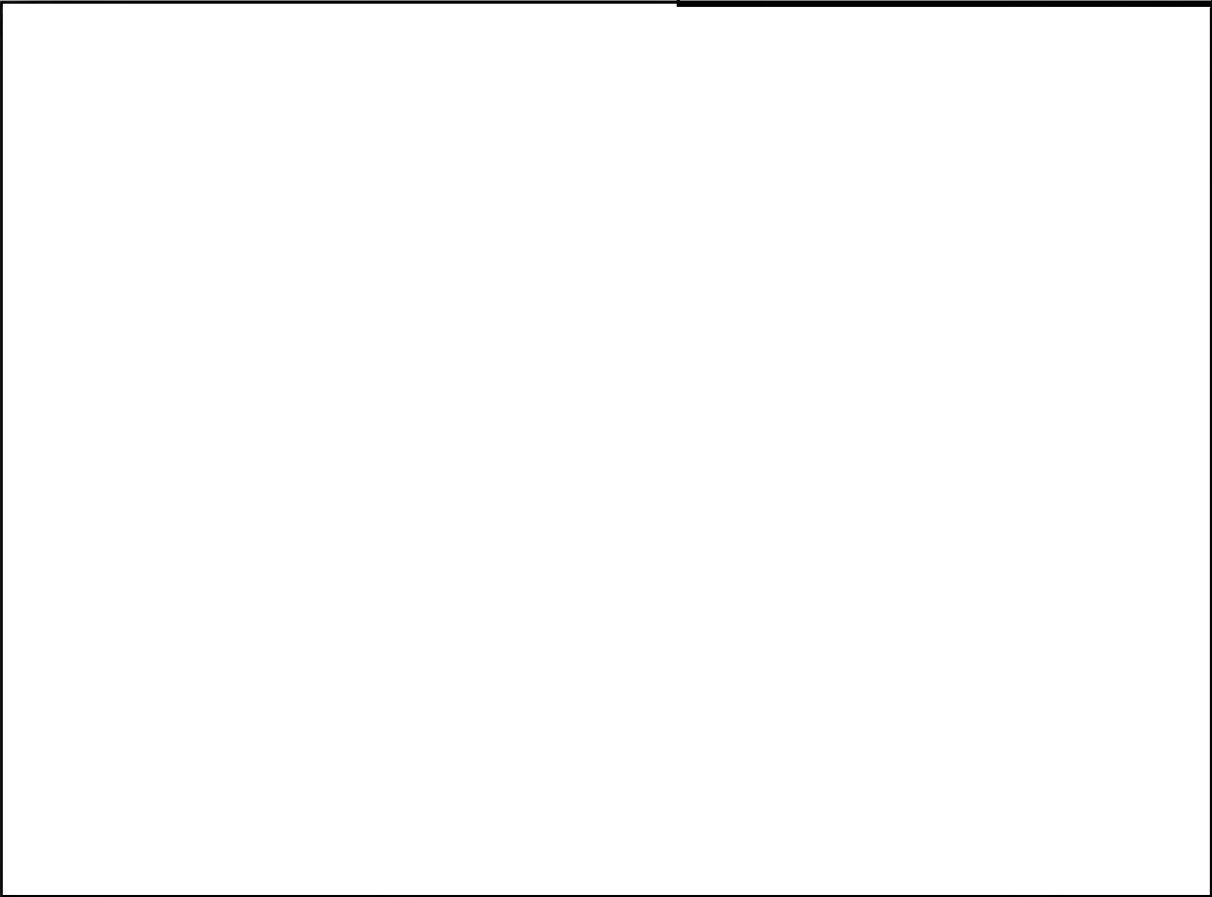


South Vietnam: Top leaders may have misgivings
about major economic reforms.



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SOUTH VIETNAM: TOP LEADERS, FACED WITH GROWING POLITICAL DISSENT, MAY HAVE DEEP MISGIVINGS ABOUT THE PROPER MEANS OF FOLLOWING THROUGH EFFECTIVELY ON MAJOR ECONOMIC REFORMS.

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[REDACTED] PRESIDENT THIEU AND HIS ECONOMIC MINISTERS HAVE TRIED TO SOUND FORTHCOMING IN THEIR CONVERSATIONS WITH US OFFICIALS ABOUT PLANS FOR URGENTLY NEEDED ECONOMIC REFORMS TO FIGHT INFLATION AND INCREASE REVENUES. IT SEEMS LIKELY, HOWEVER, THAT THEY BELIEVE THE POLITICAL PROBLEMS THAT WOULD RESULT FROM THE NEEDED MEASURES WOULD BE ALMOST UNMANAGEABLE AND THAT THEY HAVE NOT SPOKEN FRANKLY ABOUT THEIR ANXIETIES.

SAIGON POLICY-MAKERS CLAIM THEY ARE READY TO INCREASE DOMESTIC TAX COLLECTION VERY SUBSTANTIALLY TO PREPARE THE WAY FOR FURTHER US ECONOMIC AID. THEY HAVE BASED MUCH OF THEIR PLANNING FOR INCREASED TAXES ON GETTING SPECIAL DECREE POWERS FOR PRESIDENT THIEU AND KEEPING THE UNPOPULAR AUSTERITY TAXES ON THE BOOKS.

NOW, HOWEVER, SOUTH VIETNAMESE OFFICIALS BELIEVE THAT THE AUSTERITY TAXES ARE LIKELY TO LAPSE AT LEAST TEMPORARILY BECAUSE OF NATIONAL ASSEMBLY OPPOSITION. MORE IMPORTANTLY, THEY ARE ALSO BEGINNING TO WAVER ABOUT PRESSING FOR SPECIAL DECREE POWERS, THE KEYSTONE OF THEIR ENTIRE PROGRAM, PRESUMABLY BECAUSE ANY REQUEST FOR SUCH POWERS IS LIKELY TO ENCOUNTER VERY ROUGH SLEDDING IN THE ASSEMBLY.

THIEU IS WELL AWARE THAT THE PRESENT WAVE OF DISSENT, WHICH IS BASED ON A VARIETY OF GRIEVANCES, BEGAN IN THE DAYS FOLLOWING HIS SUDDEN ANNOUNCEMENT LAST FALL OF NEW AUSTERITY TAXES. HE ALMOST CERTAINLY ANTICIPATES THAT SERIOUS EFFORTS TO LEVY ADDITIONAL TAXES WOULD ALIENATE EACH AFFECTED POPULATION GROUP AND WOULD COMPOUND THE DISCONTENT ALREADY EXISTING IN THE MILITARY ESTABLISHMENT, THE BUREAUCRACY, AND OTHER SALARIED GROUPS.

THE FEELING THAT IT WOULD BE EXTREMELY DIFFICULT POLITICALLY TO TAKE NECESSARY ECONOMIC MEASURES HAS

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PROBABLY CONTRIBUTED SIGNIFICANTLY TO THE GENERAL DISCOURAGEMENT THAT APPEARS TO BE DEEPENING AMONG MANY OF THIEU'S TOP AIDES. IF THEY DO NOT TAKE SUCH MEASURES, HOWEVER, THE ECONOMY IS PROBABLY IN FOR DEEP TROUBLE, WHICH WILL LEAD TO FURTHER SERIOUS POLITICAL PROBLEMS.

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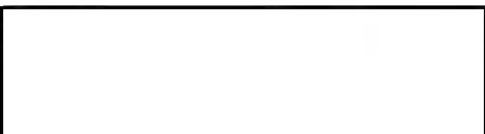
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